

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

Trevino Associates, P.C.
Certified Public Accountants
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NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

OFFICIALS

June 30, 2004

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Will Patterson	Chairperson	Fort Dodge
Phil Condon	Vice-Chairperson	Webster County
Ike Nelson	Executive Committee	Fort Dodge
Dan Payne	Executive Committee	Fort Dodge
Carl Halverson	Executive Committee	Eagle Grove
Tom Barnett	Executive Committee	Otho
Grant Kleinheim	Executive Committee	Humboldt
Arlene Tille	Executive Committee	Rutland
Joe Gray	Executive Committee	Manson
Meryl Loseke	Board Member	Badger
Wayne Rieck	Board Member	Barnum
Kenneth Pedersen	Board Member	Gowrie
Mark Savonell	Board Member	Harcourt
Howard Ball	Board Member	Moorland
Lois Vanhorn	Board Member	Vincent
Martin Brown	Board Member	Bradgate
David Lee	Board Member	Dakota City
Jean Bunz	Board Member	Gilmore City
Denny Lippolt	Board Member	Hardy
Dave Anliker	Board Member	Hardy
Marie Wilson	Board Member	Livermore
Richard Kinseth	Board Member	Ottosen
John Hendricks	Board Member	Pioneer
Steve Erwin	Board Member	Renwick
Joann Hendricks	Board Member	Rockwell City
Denise Faulkner	Board Member	Lehigh
Joyce Gadbury	Board Member	Knierim
Donna Eastman	Board Member	Callender
Bob Taylor	Board Member	Duncombe
Jack Cook	Board Member	Duncombe
Gary Schmidt	Director	
Deb Watson	Secretary/Treasurer	

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Central IA Regional Solid Waste Agency
Fort Dodge, IA 50501

We have audited the accompanying financial statements of the North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2004 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 9, during the year ended June 30, 2004, North Central IA Regional Solid Waste Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2004 on our consideration of North Central IA Regional Solid Waste Agency’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Trevino Associates, P.C.

September 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Central IA Regional Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the North Central IA Regional Solid Waste Agency is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- ◆ The Agency's operating receipts increased 7.5%, or approximately \$106,027, from fiscal 2003 to fiscal 2004.
- ◆ The Agency's operating disbursements increased approximately \$213,204, or 15.8%, from fiscal 2003 to fiscal 2004.
- ◆ The Agency's net assets decreased 2.2%, or approximately \$94,046, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the North Central IA Regional Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets – Cash Basis presents information on the Agency’s net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.

- The Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis presents information on the Agency’s operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency’s financial position has improved or deteriorated as a result of the year’s activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets – Cash Basis

The Statement of Net Assets – Cash Basis presents the assets and net assets of the Agency at the end of the fiscal year. The Statement of Net Assets – Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Agency to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Agency’s financial position by analyzing the increases and decreases in net assets.

Assets and Net Assets		
	June 30,	
Assets	2004	2003
Cash and cash equivalents:		
Restricted	\$ 901,296	\$ 671,450
Unrestricted	3,169,450	3,493,342
Total assets	<u>\$ 4,070,746</u>	<u>\$ 4,164,792</u>
 Net assets		
Net assets:		
Restricted	\$ 901,296	\$ 671,450
Unrestricted	3,169,450	3,493,342
Total net assets	<u>\$ 4,070,746</u>	<u>\$ 4,164,792</u>

A portion of the Agency's net assets (18.4%) is the restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Also restricted are a portion of the tonnage fees collected. The Department of Natural Resources allows a retainage of monies for specified purposes. The Agency has retained and restricted \$92,713 for comprehensive planning, closure and postclosure planning and leachate control planning. Also, \$57,816 is restricted for waste volume reduction and recycling planning. These two restricted amounts total \$150,529 or 3.7% of total net assets. The remaining net assets (77.9%) are the unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$229,846 or 34.2%, during the year. The increase was due to additional funds set aside for closure and postclosure care costs and interest earned on investments of these funds. Unrestricted net assets decreased \$323,892, or 9.3%, during the year due to decreases in member contributions.

Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis

Changes in total net assets as presented on the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis. The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments and construction costs. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2004 and June 30, 2003 are presented on the following page.

Changes in Cash Basis Net Assets		
	Year ended June 30, 2004	Year ended June 30, 2003
Operating Receipts:		
Tipping fees and gate charges	\$ 1,148,055	\$ 911,011
Member contributions	209,586	295,677
Recycling Center	101,645	114,466
Miscellaneous	<u>53,156</u>	<u>85,261</u>
Total operating receipts	<u>1,512,442</u>	<u>1,406,415</u>
Operating disbursements:		
Salaries and benefits	579,447	496,790
Equipment replacement	417,705	315,389
Equipment repair and maintenance	44,583	46,729
Equipment rental	20,380	5,200
Fuel	72,746	54,029
Monitoring and inspection fees	33,423	100,551
Iowa DNR tonnage fee	213,390	133,811
Postage and telephone	4,943	5,397
Utilities	18,244	15,790
Building maintenance	19,518	14,626
Insurance	51,018	75,507
Supplies	28,356	16,254
Advertising	7,719	7,232
Professional fees	4,185	6,080
Office supplies and expense	5,841	7,442
Road maintenance	16,107	12,998
Miscellaneous	<u>21,606</u>	<u>32,182</u>
Total operating disbursements	<u>1,559,211</u>	<u>1,346,007</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(46,769)	60,408
Non-operating receipts (disbursements):		
Interest on investments	40,235	55,211
Leachate collection systems construction	(68,110)	(7,860)
City recycling funding	<u>(19,402)</u>	<u>-</u>
Net non-operating receipts	<u>(47,277)</u>	<u>47,351</u>
Increase (decrease) in net assets - cash basis	(94,046)	107,759
Net assets beginning of year	<u>4,164,792</u>	<u>4,057,033</u>
Net assets end of year	<u>\$ 4,070,746</u>	<u>\$ 4,164,792</u>

In fiscal 2004, operating receipts increased by \$106,027 or 7.5%. The increase was primarily a result of gate fees increasing by \$237,044 due to an increase in waste received and member fees decreasing by \$86,091 because the per-capita charge was decreased from \$5 to \$3 effective 10-1-03. In fiscal 2004, operating disbursements increased by \$213,204, or 15.8%, from fiscal 2003.

ECONOMIC FACTORS

North Central IA Regional Solid Waste Agency's financial position declined slightly during the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Central IA Regional Solid Waste Agency, 2150 South 22nd Street, Fort Dodge, Iowa.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

STATEMENT OF NET ASSETS – CASH BASIS

June 30, 2004

EXHIBIT A

Assets:

Cash and cash equivalents

Restricted \$ 901,296

Unrestricted 3,169,450

Total assets \$ 4,070,746

Net assets:

Restricted for:

Closure \$ 74,875

Postclosure 675,892

DNR – Recycling projects 57,816

DNR – Landfill planning 92,713

Total restricted net assets 901,296

Unrestricted 3,169,450

Total net assets \$ 4,070,746

See accompanying notes to financial statements.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS – CASH BASIS

As of and for the year ended June 30, 2004

EXHIBIT B

Operating receipts:		
Gate charges	\$ 1,148,055	
City and county assessments	209,586	
Sale of recyclable materials	101,645	
Other income	<u>53,156</u>	
Total operating receipts		\$ 1,512,442
Operating disbursements:		
Salaries and benefits	579,447	
Equipment replacement	417,705	
Equipment repairs and maintenance	44,583	
Equipment rental	20,380	
Fuel	72,746	
Monitoring and inspection	33,423	
Department of Natural Resources tonnage fee	213,390	
Postage and telephone	4,943	
Utilities	18,244	
Building maintenance	19,518	
Insurance	51,018	
Supplies	28,356	
Advertising	7,719	
Professional fees	4,185	
Office supplies and expense	5,841	
Road maintenance	16,107	
Miscellaneous	<u>21,606</u>	
Total operating disbursements		<u>1,559,211</u>
Excess (deficiency) of operating receipts over operating disbursements		<u>(46,769)</u>
Non–operating receipts (disbursements):		
Interest on investments		40,235
Leachate collection system construction		(68,110)
City recycling funding		<u>(19,402)</u>
Net non-operating receipts (disbursements)		<u>(47,277)</u>
Change in cash basis net assets		(94,046)
Net assets – cash basis beginning of year		<u>4,164,792</u>
Net assets – cash basis end of year		<u>\$ 4,070,746</u>

See accompanying notes to financial statements.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Central IA Regional Solid Waste Agency was formed January 1, 1993 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities in Webster County on behalf of the units of government which are members of the Agency. Agency members include Webster and Humboldt Counties and all communities within those counties, excluding the city of Bode, and the communities of Eagle Grove, Knierim, Manson, Pomeroy, and Rockwell City.

A. Reporting Entity

For financial reporting purposes, North Central IA Regional Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. See Note 8 for related organization. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

North Central IA Regional Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items including the estimated payables for closure and post-closure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets – Cash Basis.

Cash Equivalents – The commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets and Net Assets – Funds set aside for payment of closure and postclosure care costs and unspent DNR fees set aside for planning purposes are classified as restricted.

Note 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2 CASH AND INVESTMENTS (CONTINUED)

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement No. 3.

The Agency had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,108,062 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Note 3 PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 totaled \$24,606, \$21,602, and \$21,469, respectively, equal to the required contributions for each year.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4 COMPENSATED ABSENCES

Agency employees accrue a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. Employees accrue sick leave at a rate of one day per month. Unused sick leave is only paid upon retirement after working ten years or more for the Agency. Unused sick leave is paid at 25% of the total accumulation, not to exceed 30 days. These accumulations are not recognized as disbursements by the Agency until used or paid.

The Agency's approximate liability to employees for earned vacation and sick leave at June 30, 2004 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 46,811
Sick Leave	<u>16,848</u>
	<u>\$ 63,659</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

Note 5 CLOSURE AND POST-CLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5 CLOSURE AND POST-CLOSURE CARE COSTS (CONTINUED)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for North Central IA Regional Solid Waste Agency as of June 30, 2004 have been estimated at \$276,253 for closure and \$2,066,000 for postclosure, for a total of \$2,342,253. The remaining useful life of the landfill is currently 19 years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30, 2004, assets of \$750,767 are restricted for these purposes, of which \$74,875 is for closure and \$675,892 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets – Cash Basis.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the local government dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the Dedicated Fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6 SOLID WASTE TONNAGE FEES RETAINED

Chapter 455B.310 of the Code Of Iowa establishes a tonnage fee of four dollars and twenty-five cents per ton of solid waste. The Sanitary landfill operator shall retain ninety-five cents of the tonnage fee to be described in the following paragraph and can retain an additional twenty-five cents of the tonnage fee as described below if an updated comprehensive plan has been approved for the Agency. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

The Agency has established accounts for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or post-closure care plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. Forty-five cents per ton of the tonnage fee shall be disbursed to a city, county, or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Agency's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities.

An updated comprehensive plan was approved by the Department of Natural Resources allowing the Agency to retain an additional twenty-five cents per ton of the tonnage fee. The twenty-five cents per ton of the tonnage fee shall be used for waste reduction, recycling, or small business pollution prevention purposes.

As of June 30, 2004, the unspent amounts retained by the Agency and restricted for the required purposes are as follows:

Special Account – DNR – Landfill planning	\$ 92,713
Special Account – DNR – Recycling	<u>57,816</u>
	<u>\$ 150,529</u>

Note 7 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims for these risks have not exceeded insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8 RELATED ORGANIZATION

Prior to the formation of the North Central IA Regional Solid Waste Agency, the cities of Badger, Fort Dodge, Lehigh, Moorland, and the county of Webster, provided the solid waste collection and disposal services under the Webster County Solid Waste Commission. The Commission no longer provides any services; however, cash funds have been set aside under the Commission's name, to provide for any potential future liability which might result from the closure of the landfill site. At June 30, 2004 the Commission held the following cash balances:

Checking	\$ 733
Iowa Public Agency Trust	<u>372,068</u>
	<u>\$ 372,801</u>

Note 9 ACCOUNTING CHANGE

For the year ended June 30, 2004, the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Agency.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
North Central IA Regional Solid Waste Agency
Fort Dodge, IA 50501

We have audited the financial statements of North Central IA Regional Solid Waste Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether North Central IA Regional Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Central IA Regional Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect North Central IA Regional Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as item A in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item A is a material weakness. Item A was a reportable condition in the prior year and has still not been resolved.

This report, a public record by law, is intended solely for the information and use of the members and constituents of North Central IA Regional Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Central IA Regional Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Trevino Associates, P.C.

September 30, 2004

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

- A Segregation of Duties – During our review of internal controls, the existing control activities were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error and dishonesty and therefore maximizes the accuracy of the Agency's financial statements. Generally one individual has control over account billings, collecting, posting and reconciling of receipts.

Recommendation – The Agency has an inherent problem it shares with other organizations of its size in that it has a limited number of personnel performing accounting and administrative functions. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations.

Response – Procedures will be reviewed and current personnel will be utilized to maximize control.

Conclusion – Response accepted.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2004

OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 04-1 Official Depositories – A resolution naming official depositories has been approved by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- 04-2 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 04-3 Travel Expense – No disbursements for travel expenses of spouses of Agency officials or employees were noted.
- 04-4 Board Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- 04-5 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- 04-6 Solid Waste Tonnage Fees Retained – The Agency used or retained the solid waste fees in accordance with Chapter 455B.310(3),(4) of the Code of Iowa during the year ended June 30, 2004.

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2004

04-7 Financial Assurance – The Agency has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and post-closure care	\$ 276,253	\$ 2,066,000
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>51,002</u> 225,251	<u>491,854</u> 1,574,146
Divided by the number of years remaining in the pay-in period	÷ <u>9</u>	÷ <u>9</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	25,028	174,905
Balance of funds held in the local dedicated fund at June 30, 2003	<u>51,002</u>	<u>491,854</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2004	<u>\$ 76,030</u>	<u>\$ 666,759</u>
Amount Agency has restricted and reserved for closure and post-closure care at June 30, 2004	<u>\$ 74,875</u>	<u>\$ 675,892</u>

NORTH CENTRAL IA REGIONAL SOLID WASTE AGENCY

STAFF

For the Year Ended June 30, 2004

This audit was performed by:

Thomas D. O'Brien, CPA, Manager

Peggy Richardson Trevino, CPA, Owner